ALTRINSIC

July 2023

Altrinsic International Equity Commentary – Second Quarter 2023

Dear Investor,

The Altrinsic International Equity portfolio gained 2.8% (2.6% net) during the second quarter, as measured in US dollars, roughly in line with the MSCI EAFE Index's 3.0% return.[i] International markets experienced more modest and broad based returns than global indices, where a narrow subset of highly priced US growth stocks (or anything related to AI) skewed benchmark performance.

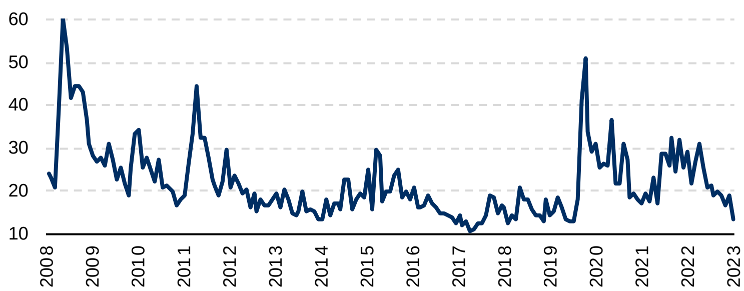
Europe remained pressured by an uncertain economic recovery and war in the east, while Japan performed well in local currency terms, offset by yen weakness. A sluggish recovery in China weighed on emerging markets. What really captured the headlines were "all things AI." AI is a significant technological innovation, but we believe it is being greatly overhyped and overestimated in the short term, as is typically the case with new technologies. Stock prices for leading "AI stories," primarily in the US, discount growth rates that will be difficult to achieve, thus impairing their underlying margins of safety. We see greater opportunity among companies throughout the world that are embracing AI in their operations to enhance their business quality and efficiency, most notably in health care, non-life insurance, exchanges, global consumer franchises, industrials, and business services, to name a few.

Performance Summary

The portfolio's greatest sources of positive attribution were materials (+49 bps relative), health care (+47 bps), and consumer staples (+20 bps). Industrials (-39 bps), consumer discretionary (-28 bps), and communication services (-26 bps) weighed on relative performance. Regional performance yielded no material outliers with the exception of emerging markets (+59 bps). Emerging markets are generally in a much better position than in previous down cycles, as central banks have been more proactive in tightening policy rates than their developed market peers, and political leaders are managing deficits more responsibly. EM currencies are depressed versus Western currencies and specifically the US dollar. There is a growing list of investments with attractive business models, deeply discounted valuations, and seasoned management teams accustomed to operating in volatile environments. This presents an increasingly attractive investment proposition, and our emerging market exposure is near the highest level in our history.

Many things in life are cyclical, which is certainly true with investing. History shows that fear gives way to greed (and vice versa), great ideas often go too far, and stocks and styles often reach extremes before normalizing (and then often overshooting in the opposite direction). The VIX Index (an indicator of expected market volatility) fell nearly 30% this quarter (**Chart 1**) and is near multi-decade lows, implying a high degree of market complacency. This complacency, coupled with high valuations in large growth stocks (particularly in the US), suggests a preponderance of greed being reflected in many popular areas of the market. Our discipline, long-term perspective, and risk tolerance have led us to less crowded areas in pursuit of our objectives.

Chart 1. Equity Volatility Index



As of 06/30/23; Source: FactSet.
Note: Based on the average of Euro Stoxx 50 VIX and CBOE US VIX.

Perspectives from the Road

Our research efforts have been robust this year, with extensive due diligence visits to China, Japan, South Korea, Taiwan, Continental Europe, Scandinavia, the UK, India, and Brazil. Each trip is different but generally involves meetings with company management and operations teams, government officials, regulators, industry experts, and others in our network offering useful perspectives.

Our visit to China included stops in Shanghai and Chengdu, among other cities. Meetings and on-the-ground observations made it clear that China is experiencing the opposite market dynamic from the West. An uneven economic recovery has led to disparate sentiment across sectors, particularly in the US, but Chinese economic growth has been underwhelming since the January re-opening, broadly pressuring stock prices and prompting calls for more aggressive government stimulus. Discussions with local contacts suggest activity is returning, albeit uneven, with more nuanced government support than during previous cycles. While we wait for economic activity to normalize, companies like Alibaba and Baidu are undertaking shareholder enhancement measures, including simplifying operations and returning excess capital to shareholders. These actions highlight how undervalued their core e-commerce and search businesses are.

Several different European trips involved meetings in the UK, Scandinavia, and Germany. A warm winter provided relief to the European economy, as lower demand for energy cooled prices and minimized war-induced supply concerns. Geopolitical uncertainties in Russia, while unfortunate, are less impactful, as the continent's reliance on Russian energy has dropped since last year. Inflation is declining, but policymakers remain vigilant in raising rates, clouding the economic outlook. As in the US, the impact of rising rates is yet to be fully realized, and the change will be long-lasting. We remain modestly underweight in our exposure to Europe, with investments primarily in the consumer staples, financials, and health care sectors. Each have organic growth paths less reliant on economic growth with ample opportunities to increase profitability through efficiency and other management initiatives.

Traveling to Japan demonstrated that value exists – on the streets and in the stock market. For the first time in our careers, everything in Japan (except hotel rooms) feels inexpensive – food, transportation, experiences, and many stocks included. The yen's undervaluation is collateral damage from the Bank of Japan's policies to suppress rates via its Yield Curve Control (YCC) policy and the resulting inflation. Having suffered deflation or disinflation since its asset bubble burst more than three decades ago, there is greater reluctance to control inflation for fear of overcorrecting and falling back into the deflation trap. The result is continued pressure on the yen – and our preference for companies with pricing power. Since it has been 20 years or more since Japan Inc. has raised prices, it remains to be seen if corporates can follow through. Still, management teams embracing the principles of financial productivity and generating long-term shareholder value have a tremendous opportunity to drive investor interest. Our current Japan exposure is approximately 14% via companies in the financials, industrials, and health care sectors.

Within emerging markets, we visited Taiwan, South Korea, India, Brazil, and the aforementioned China. Our trip to Brazil was timely given the challenging investment landscape characterized by political risks, volatile inflation, currency depreciation, and high financial leverage. These factors have driven valuations to rock-bottom levels, reflecting the weak sentiment we witnessed among investors on the ground. However, our meetings highlighted that contrary to common perception, higher-end consumers and large corporations represent pockets of resilience within the economy. Having avoided the high leverage that has plagued small businesses and the average consumer, there are a handful of overlooked companies with proven business models, improved balance sheets, and years of experience operating through volatility. Currently, we are invested in two Brazilian stocks. The first is Itau Unibanco, a leading private bank that caters to high-end households and large corporations, which is trading near all-time lows on price-to-normalized earnings despite its strong capital and risk management. The second is Lojas Renner, a top apparel retailer with a renowned brand, a net cash balance sheet, superior operational capabilities, and opportunities to expand its e-commerce offering. Despite these strengths, the stock is trading near all-time low valuations.

Individual companies and countries have their own risk factors and idiosyncratic growth drivers, but many of the risks present today stem from broader macroeconomic dynamics. Geopolitical risks are well telegraphed; regardless, they must always be respected. Corporate earnings expectations in Western nations have been revised downwards; a pattern of continued declines represents a significant risk for many companies. Changing liquidity conditions could be the greatest risk of all.

The world has been awash with liquidity as policymakers responded to the pandemic by experimenting with massive fiscal and monetary stimulus (i.e., quantitative easing (QE)). Policy measures are now tightening in most large economies (excluding China), but they remain very loose. In the world's largest economy, US short term interest rates have risen 500 bps, and the money supply has dropped by $669B as debt purchased in QE measures is not rolled over. At the same time, the US Treasury is about to initiate massive debt issuance to fund swelling deficits. The "transitory" path toward policy normalization amidst uneven economic growth, societal conflict, and inflationary pressures is unlikely to be smooth, presenting an underappreciated risk, particularly to the most inflated segments of the market.

Despite these important risk considerations, meaningful pockets of opportunity exist away from crowded large cap AI and other growth stocks. Our international equity portfolio is positioned very differently from the benchmark at the stock-specific, regional, and industry levels (**Table 1**), resulting in one of the lowest portfolio risk levels in years, as measured by beta (0.88)[1].

[1] Calculated using 3-year ex-ante beta for portfolio holdings as of 06/30/23 versus the MSCI EAFE Index.

Table 1. Altrinsic International Equity Portfolio

			EUROPE		JAPAN		OTHER	
	AGA	Index	AGA	Index	AGA	Index	AGA	Index
	95.9	100.0	60.0	65.7	13.7	22.4	22.2	11.9
Comm Svcs	3.2	4.5	**2.0**	**2.0**	**--**	**1.6**	**1.3**	**0.8**
Cons Discret	5.1	12.4	**2.1**	**7.5**	**--**	**4.3**	**3.0**	**0.6**
Cons Stpls	12.4	9.8	**11.1**	**8.2**	**--**	**1.2**	**1.4**	**0.5**
Energy	4.1	4.2	**4.1**	**3.6**	**--**	**0.2**	**--**	**0.5**
Financials	32.1	18.5	**14.4**	**11.7**	**4.8**	**2.5**	**13.0**	**4.2**
Health Care	14.0	13.1	**12.3**	**10.2**	**1.8**	**2.1**	**--**	**0.8**
Industrials	9.9	16.7	**6.1**	**9.7**	**3.8**	**6.0**	**--**	**1.0**
Info Tech	6.6	7.8	**4.3**	**5.0**	**--**	**2.6**	**2.2**	**0.1**
Materials	5.1	7.4	**3.7**	**4.4**	**--**	**1.1**	**1.3**	**1.9**
Real Estate	3.4	2.2	**--**	**0.5**	**3.4**	**0.5**	**--**	**1.1**
Utilities	--	3.5	**--**	**2.9**	**--**	**0.2**	**--**	**0.4**

Portfolio Risk Summary

- Concentration in three areas:
  - I. Quality global franchises
    - –eg., Nestlé, Heineken, Roche, Chubb
  - II. Asian companies with improving financial productivity at attractive valuations
    - –eg., Sumitomo Mitsui Trust, Tokio Marine, Makita, Singapore Exchange
  - III. Event driven, idiosyncratic, and/or "deeper value" plays across industries
    - –eg., Liberty Global, KB Financial, Bureau Veritas
- Large exposure to financials. Significantly underweight European banks.

As of 06/30/23; Source: MSCI EAFE (Net) Index. Sector and regional portfolio weights, based upon a representative fully discretionary account with the international mandate, are presented as supplemental information to a full disclosure presentation found in the appendix. Altrinsic independently analyzes each security recommended for purchase and categorizes it into the MSCI GICS sector and/or country that it deems most appropriate. Altrinsic's sector and country classifications may differ from MSCI. Please note that fractional differences in the portfolio's totals may occur due to Excel's rule-based rounding. The securities identified above are not necessarily held by Altrinsic Global Advisors, LLC for all client portfolios, and should not be considered a recommendation or solicitation to purchase or sell these securities. It should not be assumed that any investment in these securities was, or will be, profitable.

Summary

It is more important than ever to be disciplined and not follow the crowd when operating in an environment characterized by excessive complacency, robust liquidity, and unprecedented narrow market leadership. As evident in our portfolio holdings, we are finding very attractively-valued and high-quality businesses in disparate areas of the world that we believe will deliver shareholder value in what will likely be an uncertain investment environment.

Please contact us if you would like to discuss these or other matters in greater detail. Thank you for your interest in Altrinsic.

Sincerely,

John Hock
John DeVita
Rich McCormick

[i] Performance is presented gross and net of management fees for the composite and includes the reinvestment of all income. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Net of fee performance was calculated using the highest applicable annual management fee of 0.85% applied monthly. Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request. Past performance is not indicative of future results. The outlook and opportunities noted throughout this letter are the opinions of Altrinsic as of the date of this letter. There is no guarantee that we will be successful in implementing investment strategies that take advantage of such perceived opportunities or that any investment in the securities discussed will be profitable. Please see Important Considerations and Assumptions at the end of this letter for additional disclosures. Data sourced from FactSet, MSCI, and Altrinsic research.

GIPS Report – Altrinsic International Equity Composite

	Total Firm	Composite Assets			Annual Performance Results				Ex-Post Standard Deviation (3 Yr Annualized)	
Year to Date	Assets (millions)	USD (millions)	% of Firm Assets	Number of Accounts	Composite Gross	Composite Net	MSCI EAFE (Net)	Composite Dispersion (Gross)	Composite (Gross)	MSCI EAFE (Net)
2023 Q2	8,826	4,668	53%	9	9.57%	9.12%	11.67%	0.20%	16.49%	17.87%
2022	8,440	4,535	54%	10	-7.66%	-8.45%	-14.45%	0.25%	18.85%	19.96%
2021	10,533	5,548	53%	10	7.22%	6.31%	11.26%	0.12%	16.89%	16.92%
2020	8,763	4,192	48%	8	3.78%	2.90%	7.82%	0.38%	16.96%	17.89%
2019	7,397	3,300	45%	8	21.78%	20.76%	22.01%	0.43%	9.70%	10.81%
2018	6,284	2,381	38%	9	-7.19%	-7.98%	-13.79%	0.45%	9.92%	11.24%
2017	7,259	2,920	40%	10	22.45%	21.43%	25.03%	0.23%	11.35%	11.83%
2016	7,107	3,048	43%	16	8.86%	7.94%	1.00%	0.16%	12.14%	12.46%
2015	8,927	3,307	37%	19	0.16%	-0.69%	-0.81%	0.20%	12.01%	12.46%
2014	11,656	3,453	30%	24	-4.54%	-5.35%	-4.90%	0.12%	12.09%	13.03%
2013	14,261	3,608	25%	22	20.26%	19.26%	22.78%	0.32%	14.27%	16.25%
2012	12,586	3,057	24%	23	13.27%	12.32%	17.32%	0.23%	16.99%	19.37%
2011	10,683	2,671	25%	21	-9.90%	-10.67%	-12.14%	0.49%	18.82%	22.43%
2010	10,621	3,339	31%	19	11.61%	10.67%	7.75%	0.49%	22.25%	26.23%
2009	9,278	2,482	27%	10	29.28%	28.21%	31.78%	1.20%	19.75%	23.58%
2008	5,537	1,584	29%	9	-33.96%	-34.54%	-43.39%	0.28%	16.35%	19.24%
2007	7,582	1,840	24%	9	5.83%	4.93%	11.17%	0.27%	8.45%	9.43%
2006	5,574	947	17%	6	22.13%	21.11%	26.35%	0.13%	9.09%	9.33%
2005	2,563	530	21%	Five or fewer	10.98%	10.05%	13.56%	N.A.[1]	11.64%	11.39%
2004	1,603	262	16%	Five or fewer	23.37%	22.46%	20.25%	N.A.[1]	14.06%	15.43%
2003	871	155	18%	Five or fewer	41.87%	40.84%	38.60%	N.A.[1]	16.31%	17.81%
2002	561	87	16%	Five or fewer	-6.58%	-7.28%	-15.94%	N.A.[1]	N.A.	N.A.
2001	491	22	4%	Five or fewer	-14.74%	-15.39%	-21.45%	N.A.[1]	N.A.	N.A.
2000*	520	29	6%	Five or fewer	-6.56%	-6.91%	-10.53%	N.A.[1]	N.A.	N.A.

N.A. - Information is not statistically meaningful due to an insufficient period of time.

N.A.[1] - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

*Results shown for the year 2000 represent partial period performance from July 1, 2000 through December 31, 2000. The composite inception date is 1 July 2000.

Altrinsic International Equity Composite is a diversified (60 – 100 holdings), bottom-up, fundamental, value oriented, Global-ex U.S., all cap portfolio, benchmarked to the MSCI EAFE (Net) Index. The MSCI EAFE is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada. Portfolios in the composite may invest in countries that are not in the MSCI EAFE (Net) Index. Additional information is available upon request. The minimum account size for this composite is $5 million. Prior to January 1, 2004, the minimum account size for this composite was $10 million. Returns include the effect of foreign currency exchange rates. Prior to April 1, 2006 the exchange rate source of the composite was Bloomberg 4pm New York close and the exchange rate source of the benchmark was WM Reuters 4pm London close.

Altrinsic Global Advisors, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS Standards. Altrinsic Global Advisors, LLC has been independently verified for the periods from December 8, 2000 through December 31, 2022.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Altrinsic International Equity Composite has had a performance examination for the periods beginning December 8, 2000 through December 31, 2022. The verification and performance examination reports are available upon request.

Altrinsic Global Advisors, LLC is a registered investment adviser. A list of all composite and pooled fund investment strategies offered by the firm, with a description of each strategy, is available upon request. The type of portfolios in which each strategy is available (segregated account, limited distribution pooled fund, or broad distribution pooled fund) is indicated in the description of each strategy.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Beginning July 1, 2005, composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of at least 40% of portfolio assets. The temporary removal of such an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the composite after the first full month under management if fully invested. Additional information regarding the treatment of significant cash flows is available upon request. Composite performance is presented net of foreign withholding taxes on dividends, interest income, and capital gains. Withholding taxes may vary according to the investor's domicile. The MSCI EAFE (Net) Index deducts withholding tax by applying the maximum rate of the company's country of incorporation applicable to non-resident institutional investors. Past performance is not indicative of future results.

The US dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Net of fee performance was calculated using the highest applicable annual management fee of 0.85% applied monthly. Prior to January 1, 2005 the highest management fee applied was 0.75%. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

The investment management fee schedule is 0.85% on the first $25 million, 0.60% on the next $50 million, and 0.50% on the remainder. Some accounts may pay incentive fees. Actual investment advisory fees incurred by clients may vary.

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